

Message Text

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67

ACTION NEA-10

INFO OCT-01 AF-06 ISO-00 EUR-12 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 TRSE-00 FEA-01

STR-04 /108 W

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R 061715Z NOV 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3302

INFO AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

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E.O. 11652: N/A

TAGS: ENRG, AG

SUBJECT: ALGERIAN OIL SALES--1976

1. GETTY OIL EXECUTIVES CURRENTLY IN ALGIERS TOLD
EMBOFF NOV 5 THAT THEY INFORMED BY SONATRACH THAT IT
HAD SOLD NEARLY 90 PERCENT--ALL BUT ABOUT 100,000 B/D--
OF 1976 PRODUCTION AVAILABLE FOR EXPORT.

2. EXECUTIVES NOTED THAT APPARENTLY FAVORABLE SALES
PERFORMANCE TO DATE DUE NOT ONLY TO RELATIVE PRICE
ADJUSTMENTS IN COMPARISON WITH OTHER MEDITERRANEAN
CRUDES WHICH ACCOMPANIED RECENT OPEC PRICE INCREASES,
BUT ALSO TO FACT THAT ALGERIAN AUTOMATIC PRICING SYSTEM
PROVING TO BE LESS ONEROUS THAN ORIGINALLY EXPECTED.

FOR EXAMPLE, ONE GETTY OFFICIAL NOTED THAT ALL OIL

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CONTRACTS FOR 1976 APPEAR TO HAVE CLAUSE ALLOWING

CANCELLATION OF CONTRACT ON NINETY DAYS NOTICE BY EITHER PARTY, RATHER THAN BEING LEGALLY BINDING FOR UP TO FIVE YEARS AS ORIGINALLY INDICATED.

3. MORE SIGNIFICANTLY, GETTY OFFICIALS NOTED THAT AUTOMATIC PRICING SYSTEM HAD GIVEN ALGERIANS MUCH MORE FLEXIBLE METHOD OF PRICING THEIR CRUDE. IN 1975, ALL SALES, WITH THE EXCEPTION OF BARTER DEALS, WERE BEING MADE AT THE OFFICIAL PRICE OF \$11.75 (\$12.75 IN LAST QUARTER). IN 1976, HOWEVER, PRICE SPREAD ON ALGERIAN OIL SALES LIKELY TO BE AS MUCH AS \$0.50 PER BARREL. THIS WAS BECAUSE OF FACT THAT UNDER NEW AUTOMATIC PRICING SCHEME, EUROPEAN CUSTOMERS WOULD BE SUBJECT TO ONE FREIGHT DIFFERENTIAL AND U.S. CUSTOMERS ANOTHER. LIKEWISE QUALITY DIFFERENTIALS WOULD VARY BETWEEN EUROPEAN AND AMERICAN CUSTOMERS BASED DESIRED YIELDS. GETTY OFFICIAL ADDED, HOWEVER, THAT RELATIVE BARGAINING STRENGTH OF CUSTOMER COULD ALSO FIGURE IN DETERMINATION OF 1976 OIL PRICE. STRONGER CUSTOMERS, FOR EXAMPLE, MIGHT PERSUADE SONATRACH TO "REINTERPRET" QUALITY STANDARDS FOR A PARTICULAR CONTRACT. ASKED IF THIS SYSTEM REPRESENTED DEPARTURE FROM OPEC STANDARDS, GETTY OFFICIAL SAID THIS NOT THE CASE. OPEC STANDARDS ON DIFFERENTIALS STILL VERY VAGUE.

4. ALTHOUGH GETTY OFFICIALS WERE NOT CERTAIN WHO MAJOR CUSTOMERS FOR ALGERIAN OIL WOULD BE IN 1976, THEY INDICATED THAT GERMAN FIRMS SEEMED ESPECIALLY INTERESTED IN ALGERIAN OIL AT PRESENT. PARKER

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